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Twenty-first session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 24 June 1999, at 3.30 p.m.

President: Mr. REGUIEG (Algeria)

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ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1998 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.21/10, IDB.21/11, IDB.21/12)

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.21/14)

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(h) **COST-SHARING ISSUES WITH VIC-BASED ORGANIZATIONS** (*continued*) (IDB.21/5)

(i) **PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR** (*continued*) (IDB.21/6; PBC.15/CRP.2)

(j) **IMPLICATIONS OF THE EURO FOR UNIDO** (*continued*) (IDB.21/29)

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (*continued*) (IDB.21/15, IDB.21/18 and Add.1, IDB.21/20, IDB.21/21, IDB.21/23, IDB.21/26 and Corr.1, IDB.21/27; IDB.21/CRP.7)

FINANCING OF THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES (*continued*) (IDB.21/17; IDB.21/CRP.4)

1. **Mr. RATAJ** (Poland) endorsed the views expressed by the representative of Germany on behalf of the European Union. His delegation believed that UNIDO had the proven capacity to play a catalytic role in integrating the developing countries, especially the least developed ones, and some of the countries with economies in transition, into the industrial sector of the global economy. The Organization's own multilateral action in that regard should be harmonized with the bilateral efforts of the developed countries.

2. UNIDO's integrated packages of services and service modules could help to create infrastructures for business and investments to enter the developing countries, paving the way for them to become part of the globalized world economy. Those programmes should create jobs and increase the industrial capacity of the recipient countries.

3. However, the marketplace for industrial development services was becoming highly competitive. UNIDO must therefore focus on quality delivery of expert services in priority areas, demonstrating its comparative advantages while meeting the demand of recipients as well as the criteria of environmental and economic sustainability.

4. In connection with the draft programme and budget for the biennium 2000-2001, his delegation would have found the proposed budget acceptable in its original form, but agreed that efforts should be made to ensure the cost-efficient use of available resources. It therefore welcomed the emerging consensus on the budget figure.

5. The Annual Report of UNIDO for 1998 (IDB.21/10) showed that important work had been done in 1998 in priority areas. His delegation supported the emphasis to be given to Africa and the least developed countries (LDCs) to small and medium-sized enterprises (SMEs), to agro-industries, to cleaner and sustainable industrial development and to strengthening industrial capacities. The Annual Report also demonstrated the achievements of the Director-General and his staff in 1998, the year when the process of transforming UNIDO had started.

6. With regard to item 6 of the agenda on the financing of the integrated technical cooperation programmes, his delegation shared the concern of potential recipients of UNIDO's assistance at the scarcity of resources for financing the service modules and integrated technical cooperation programmes. There was no universal recipe for stabilizing extrabudgetary financing to allow the Organization to sustain those programmes, but by proving that it could provide quality services UNIDO should be able to convince donor countries and financial institutions of the need to support it.

7. **Mr. UMER** (Pakistan) said that dedicated efforts had been made to put wide-ranging reforms in place in UNIDO. The challenge now was to move from conceptualization to implementation.

8. UNIDO needed to be given the necessary financial resources to manage itself effectively. Following the radical cuts in successive budgets it would have been reasonable to hope that the figures presented by the Director-General would be accepted. However, the Programme and Budget Committee, while recommending that the Board should give positive consideration to the proposals of the Secretariat, had urged the latter to consider further savings. That had now been done and an agreement in principle on the revised figures had been reached. However, in future the Board must try to approve the budget in timely fashion. Moreover, the process of budget approval should be made more democratic: often the figures finally approved reflected the wishes of one or two countries and not those of the vast majority of Member States.

9. Approval of the regular budget ensured that funds were available simply for the Organization's continued existence. However, only 6 per cent of the total allocation was spent on technical cooperation. The service modules devised by UNIDO had been endorsed in consultation with Member States informally but resources were needed to implement the programmes, only a small percentage of which had received financing. Unless money for the rest was quickly made available, UNIDO would remain a mere talking shop. While the donor community's caution was understandable, it should not be exercised for too long. The 20 per cent reduction in the budget for the current biennium had been agreed on the strict understanding that further cuts would not be made. That agreement, enshrined in resolutions of the Board and the General Conference, must be honoured.

10. It was essential to strengthen UNIDO's field network. Careful thought should be given to establishing regional offices in cooperation with the Member States

concerned. Hasty decisions ignoring regional sensibilities would be detrimental to UNIDO's interests.

11. With the globalization of the world economy, projects in a given country should always be shown to benefit global economic prosperity in some measure. The parliaments of the industrialized countries would be more amenable to granting funds to UNIDO if they were convinced that their own economies would benefit. Bilateral programmes were important and should complement but not duplicate multilateral ones. Greater coordination was needed between donor and recipient countries, in consultation with UNIDO field offices, in order to optimize resources.

12. It was essential that all Member States should pay their assessments in full and on time. Additional funding could not credibly be demanded when nearly 40 per cent of the membership was defaulting on its assessed contributions.

13. In-service training programmes in the private sector were needed to counter the idea that intergovernmental mechanisms were ineffective in a free-market economy.

14. The radical transformation of UNIDO must be matched by an equally radical commitment of donor countries to the Organization. If Member States believed that UNIDO was capable of doing its job, it was only fair to give it the means to do so.

15. With respect to agenda item 4 (i), concerning the External Auditor, he agreed with the representative of Ghana on the need for consensus on the appointment of an External Auditor, and therefore withdrew Pakistan's candidature. However, he hoped that in future candidates for the post from developing countries would be given due consideration. He suggested that the remaining candidature, from Germany, be endorsed by acclamation.

16. **Mr. ANDHØY** (Norway), referring to the Annual Report for 1998 (IDB.21/10), said that his delegation welcomed such achievements as the development of the service modules and the focus on Africa. It also appreciated the information contained in document IDB.21/26 which illustrated UNIDO's willingness to take part in system-wide reforms within the United Nations family. It took note of the progress made in elaborating performance indicators and looked forward to further action in the area of decentralization to the field. His delegation welcomed the establishment of a gender focal point, while stressing the need for resources to be allocated to it.

17. Norway had originally supported a zero real growth budget with an increase of $3.7 million as proposed by the Secretariat. However, it welcomed the emerging consensus based on the information given in document IDB.21/CRP.6, and on that basis looked forward to an active partnership with the reformed and revitalized UNIDO. The Organization needed a positive signal from Member States, and approval of the budget would constitute that signal.

18. His delegation appealed to all Member States, present and former, to pay their arrears and assessed contributions in full and unconditionally.

19. **Mr. PURNOMO** (Indonesia) said that now that UNIDO had completed the fundamental part of its reform, the task was to find practical and realistic ways of achieving its objectives, especially in view of the diminution of the Organization's resources in the last few years. Indonesia fully supported the proposed budget for the biennium 2000-2001, which covered a minimum core of activities and should therefore not be further curtailed.

20. While encouraged by the steps taken by the Director-General concerning implementation of the service modules, his delegation regretted the significant drop in technical cooperation approval between 1997 and 1998. If UNIDO were to implement the service modules in addition to its technical cooperation programmes, significantly more resources would be required than were currently available. Indonesia placed great importance on technical cooperation activities and would like to see a balanced implementation of such activities and the service modules in the future.

21. His Government appreciated UNIDO's role in advancing the programme of technical cooperation among developing countries (TCDC) in the context of South-South cooperation. In that connection, with assistance from UNIDO, Indonesia had, in March 1999, conducted a workshop on small-scale brick-making technology, in which 15 African countries had participated, and which had served as a forum for technology transfer. That initiative should now be expanded into a business cooperation venture. Mention should also be made of the Optimizing Partnerships through Trade and Investment Markets for Agribusiness (OPTIMA) programme, jointly sponsored by UNIDO and the Government of France. Indonesia also looked forward to the completion of the study to be conducted in cooperation with UNIDO on support to industrial recovery.

22. His delegation joined others in supporting the establishment of an ad hoc working group on the financing of technical cooperation programmes, which would be of particular value in view of the fact that only 6 per cent of the regular budget was earmarked for technical cooperation activities. Technical cooperation programmes played a crucial role in enhancing a country's national development programmes, particularly in the prevailing climate of global economic malaise. That harsh economic climate had inevitably made it more difficult for his Government to meet its commitment to pay its assessed contributions, which had risen sharply for the period

2000-2001. In the light of the economic difficulties it was facing, Indonesia sought the Organization's forbearance in that regard.

23. Lastly, he reiterated his delegation's support for the establishment of subregional offices, but wished to stress that the host country's share in the cost of operating field offices should be kept at a level appropriate to its economic circumstances.

24. **Mr. ORTIZ GARCIA** (Spain) said that the presentation of UNIDO's programmes and service modules was a team effort; in an international organization, as in the world of sport, it was teamwork that produced results. UNIDO was fortunate in having an excellent coach to train its team.

25. He reiterated Spain's wholehearted commitment to the future of UNIDO and to consolidating the recent reform process. His Government was studying ways and means of contributing to ongoing UNIDO programmes, particularly in the Spanish-speaking countries of Latin America and the countries geographically close to it in northern Africa. He hoped to be able to make an announcement regarding those contributions in the near future.

26. Following a tempestuous period of reform, the Organization could now look forward to a period of calm seas and plain sailing. New budgets must now be approved, and the Director-General should be supported in his efforts. Just as, in Roman times, a trireme had required the efforts of its entire crew to ply the Mediterranean, all members of UNIDO must now pull together in a collective effort to ensure the success of the Organization.

27. **Mr. KUMAR** (India) said that, in the new market-oriented world economic order, marginalized countries continued to be marginalized and were not gaining the strength they needed to compete. Only through the strengthening and development of multilateral institutions such as UNIDO could those countries be enabled to join the global economic mainstream and participate in its benefits. The Director-General's visit to India in March 1999 had made it possible to gain a better understanding of UNIDO's new strategy. He reiterated his Government's resolve to contribute to strengthening the Organization's programmes and activities, and its belief that the framing of a medium-term and long-term programme would assist the implementation of the Business Plan on the Future Role and Functions of UNIDO and would send the right signals to the international community.

28. A recently introduced programme designed to increase productivity in the SME sector of the Indian automotive industry, in consonance with the demands of the new open and competitive economic environment, had evoked a good response to date. Once the programme had been fully implemented, it could serve as a model for similar programmes in other sectors in India and elsewhere.

29. Greater attention should be accorded to the environmental aspects of industrialization. With help from UNIDO, India was formulating projects to increase the efficiency of industrial boilers and reduce pollution levels in cement plants, with access to funds under the Global Environment Facility (GEF). A further welcome step was the new UNIDO proposal for the establishment of an Asian-African investment technology promotion centre in Malaysia, in collaboration with the Government of Japan. In that connection, consideration might be given to linking UNIDO-aided projects in India with the centre's activities in the overall framework of South-South cooperation.

30. His delegation was pleased to learn that UNIDO was considering setting up an information technology forum in India's "silicon valley", the city of Bangalore, and his Government would be happy to be a partner in that endeavour.

31. His Government was heartened to see an upward trend in delivery to the LDCs, and had agreed to a project proposal on promotion of Indian technologies and investment in selected African States bordering the Indian Ocean, intended to accelerate business and industrial collaboration between India and the countries of Africa. Research by UNIDO had revealed that lack of entrepreneurial abilities and failure to prepare projects adequately were the most significant obstacles to the industrialization of developing countries. Having traversed its own period of industrialization over the past 50 years, India was in a good position to share its experience with all African countries. With help from UNIDO, it had set up an interregional centre to promote investment in industrial sectors and develop enterprise management skills in Asia, Africa and the Arab region. About one hundred persons from developing countries had already been trained.

32. His delegation noted that the regular budget estimates for 2000-2001 were more or less identical to those for 1998-1999, merely incorporating a modest cushion against inflation, and that substantial efforts had been made over the past year to streamline and restructure the administration, introducing much-needed economy measures and diverting more funds for real development. His delegation supported the Director-General's efforts to reach a consensus on the budget for 2000-2001.

33. As trade preferences were eroded, there was serious concern, particularly in the LDCs and African countries, regarding market access. India welcomed UNIDO's focus on Africa in the implementation of its integrated programmes, and would be happy to assist that endeavour

by providing trained technical personnel and access to its entrepreneurial training institutions.

34. India had been making regular and substantial voluntary contributions to the Industrial Development Fund (IDF). It proposed to increase its voluntary contribution for 1999 from $1 million to $1.2 million and urged other Member States likewise to consider increasing their voluntary contributions.

35. Lastly, his Government welcomed UNIDO's stated intention to hold a special millennium conference in the year 2000, with a view to articulating a vision for industrial development in the twenty-first century, and would be happy jointly to organize such a conference in New Delhi.

36. **Mr. KOUASSI** (Côte d'Ivoire) said that the efforts made in recent years to provide UNIDO with a viable structure, carefully targeted objectives and a management capable of effectively delivering priority programmes had brought the Organization back on course. The finalization of the integrated technical cooperation programmes was an achievement of major importance in the industrialization of the developing countries.

37. However, without adequate funding, the best ideas in the world would come to nothing. UNIDO must have sufficient resources to enable it to carry out its activities in the field. His Government therefore called upon bilateral and multilateral donors to provide financial support enabling the related projects to be fully implemented. That issue would be at the centre of the discussions during the Conference on Industrial Partnership and Investment in Africa, to be held in Dakar in October 1999. Côte d'Ivoire therefore invited Member States and multilateral partners in industrial development to participate actively in that event.

38. **Mr. ISMAILOV** (Observer for Azerbaijan) reaffirmed his country's support for the UNIDO reform process, which would increase the effectiveness of the Organization. It was reassuring to note the issues addressed by the Secretariat and the initiatives undertaken for the further implementation of the relevant General Assembly resolutions. The welcome progress made in UNIDO's transformation would assist in the implementation of the Business Plan and the new integrated services.

39. It was gratifying to note the success achieved by the Organization with regard to the division of responsibilities among United Nations development agencies, for example, UNIDO's programmatic focus on the sustainable industrial development goals of competitive economy, productive employment and sound environment. His delegation welcomed the progress in UNIDO's cooperation with other bodies of the United Nations system, as evidenced by the signature of a number of inter-agency agreements during 1998, in particular with the United Nations Development Programme (UNDP), which was a very important step in facilitating joint activities, especially with regard to the mobilization of resources.

40. UNIDO's operations in Azerbaijan in recent years had been characterized by new forms of interaction with other specialized agencies. The partnership between UNIDO and UNDP, as the agency funding and managing the United Nations Resident Coordinator system, would be further strengthened and developed in future. The implementation of such cooperation would facilitate the elaboration of new projects of major importance to Azerbaijan involving the upgrading of the environmental infrastructure, the utilization of UNIDO's cleaner technologies capacities, support for SMEs and the achievement of greater energy efficiency in different sectors of the economy, in order to reduce costs, enhance competitiveness and conserve energy resources.

41. His Government appreciated UNIDO's efforts with regard to the designation of field offices, the transfer of staff and decentralization. That would assist in the implementation of local projects, and the promotion of UNIDO's services and would ensure that those services were developed jointly with host countries.

42. **Mr. SANUSI** (Nigeria) said that his delegation was concerned that failure by the Board to approve the programme and budgets for 2000-2001 might send the wrong signal to the Organization, which had successfully weathered a painful transformation process and should not be deprived of the resources it needed to provide the services envisaged in the budget. It also called upon Member States to settle their arrears and pay their assessed contributions in full and on time.

43. His delegation had confidence in UNIDO's ability to deliver valuable technical cooperation programmes if sufficient financial resources were made available, and believed that the recent reforms would encourage donor countries to make more voluntary contributions available to enable UNIDO to discharge its mandate. Nevertheless, with continuing low levels of contributions to the Industrial Development Fund, the Organization's inability to finance the integrated technical cooperation programmes was becoming increasingly apparent. UNIDO should be strengthened, not incapacitated by further budget and staff cuts or unnecessary delays in project approval and funding. His delegation believed that the recommendations contained in sections V and VI of the Director-General's note on funds mobilization (IDB.21/CRP.4) would, if implemented, provide a new direction for the financing of integrated technical cooperation programmes in developing countries. Nigeria supported the establishment of an ad hoc informal working group, as proposed by the Group of 77 and China, to consider the related issues.

44. It was against the background of the precarious state of African industry that the Director-General, in collaboration with the Economic Commission for Africa and the Organization of African Unity, had organized the Conference on Industrial Partnership and Investment in Africa, to be held in Dakar in October 1999 under the leadership of the African Development Bank and in cooperation with the World Bank. One goal of the conference would be to identify and mobilize funds for the implementation of technical cooperation programmes. His delegation therefore urged the donor countries to participate actively in that conference.

45. **Mr. MARTIN** (Belgium) announced that the following day Belgium would sign an agreement with UNIDO making an initial amount of 10 million Belgian francs available for the new integrated programme for Burkino Faso. That contribution bore witness to his Government's support for UNIDO's new programmatic approach.

46. **Mr. CHAABANE** (Tunisia) said that the future of UNIDO depended on the support that Member States, and particularly donor countries, were prepared to give to the Director-General in his efforts to provide the Organization with the resources it needed to achieve its objectives. The current session of the Board preceded by some three months the fourteenth meeting of the Conference of African Ministers of Industry (CAMI), to be held in Senegal on 22 and 23 October 1999. Against that background, his delegation supported the initiative concerning implementation of the Business Plan in Africa and the convening in Dakar of the Conference on Industrial Partnership and Investment in Africa immediately prior to the CAMI meeting. It called upon donor countries to contribute to the success of the conference and to assist in mobilizing the resources needed to implement UNIDO's 27 integrated programmes, which would help promote sustainable development in the developing countries, particularly in the private sector. A recent visit to Tunisia by the Director-General had resulted in the finalization of one such integrated technical cooperation programme between UNIDO and his Government, an example of fruitful cooperation between the Organization and developing countries. Tunisia was ready to do its utmost to ensure the success of the programmes, and thus called upon all members of the Board to contribute to mobilizing the necessary resources. In that regard, the consultations between developed and developing countries held recently at UNIDO Headquarters augured well for the future.

47. In concluding, his delegation supported the proposal concerning the introduction of the euro.

48. **Mr. NAIDUNOV** (Observer for Belarus) said that his delegation noted with appreciation the strenuous efforts made by the Secretariat to carry out the tasks entrusted to it by the General Conference and to implement the Business Plan. However, UNIDO must not rest on its laurels but must increase the volume of services provided by it to developing countries and States with economies in transition. Only practical results in the form of effective programmes and projects would testify to qualitative transformations in the Organization. However, those results could not be achieved without adequate financial resources. When considering the budgets of international organizations, Belarus adhered to the principle of zero growth. Accordingly, it broadly supported the UNIDO budget for the 2000-2001 biennium, which was in keeping with that principle.

49. The transformation of UNIDO was opening up possibilities for intensified cooperation between Belarus and the Organization. His delegation thus placed great hopes in the elaboration of an integrated cooperation programme between UNIDO and Belarus. His Government was particularly interested in cooperation in the promotion of industrial investment, in the early implementation of UNIDO's investment promotion programme for Belarus, and in the project to set up a technopark in Belarus. His delegation looked forward to an early conclusion of those projects.

50. In conclusion, his delegation wished to point out that, in spite of the financial difficulties that Belarus was experiencing, it had tried to fulfil its financial obligations to the Organization, and would continue to do so.

51. **Mr. KERMANSHAH** (Islamic Republic of Iran) said that his delegation welcomed the transformation and revitalization of the Organization and its new approach in providing comprehensive packages of integrated services in line with the requirements of the Business Plan. However, without adequate funds, the transformed UNIDO would not be able to prove its impact and relevance. The implementation of the Organization's programmes depended to a great extent on the size of voluntary contributions, and more resources would be needed if those programmes were to have a significant impact. By showing itself to be a demand-oriented and competitive organization supported by marketing activities and capable of bringing together the experience and resources of Member States, it would find enough clients ready to pay for its services. It was gratifying to note the positive reactions from various donor countries.

52. His Government had on several occasions made local currency contributions for training courses under trust fund projects. It was also prepared to negotiate a further amount for projects in the framework of the integrated programmes being launched for his country. For full implementation of those programmes, UNIDO should facilitate the provision of funds through organizations such as the World Bank and the Global Environment Facility. Under its integrated packages of services, UNIDO had mobilized $81.7 million in 1997 and 1998 for technical cooperation projects, but, with the increase in the volume of the programmes, some of the planned technical

assistance could not be implemented owing to insufficient funding. His delegation welcomed the Director-General's efforts and emphasized its support of the position expressed by the Group of 77 and China on the financing of technical cooperation programmes.

53. His delegation commended the Secretariat's efforts with regard to the strengthening of the UNIDO field programme, in line with the Business Plan, and emphasized the importance of close collaboration with host country Governments in the decentralization process. To avoid transformation of Professional staff into administrative staff in the field, special courses should be developed and updated technical software made available. The UNIDO Field Office in Tehran had been established on a well-defined cost-sharing basis, with the redeployment of one Professional staff member from Headquarters, in April 1999. The inauguration of the Office was the result of long-standing cooperation with the Secretariat and discussions between the Iranian Ministry of Industry and the Director-General. Efforts were being made to familiarize industrialists with the services of the Office, which was expected to have a perceptible impact in enhancing his country's relationship with the Organization.

54. **Mr. BERTONCELJ** (Observer for Slovenia) said that his Government had decided to establish an international centre for sustainable development at Ljubljana, in cooperation with UNIDO. The project, which had an initial budget of $250,000, would draw on Slovenia's vast experience in dealing with the problems of economies in transition. His country's scientific and technological potential and its understanding of the need for coordination with similar activities in Western Europe made it an excellent base for the setting up of a mechanism to enhance the effectiveness of institutions in Central and Eastern Europe in formulating programmes and projects geared to achieving environmentally sustainable development. The centre would assist in the development, exchange and utilization of scientific, socio-scientific and technological know-how on innovative methods and best practices in a wide variety of fields. The immediate beneficiaries would be national and regional research and development institutions, SMEs, and national, regional and local policy and decision makers. Slovenia sought the support of all interested countries and institutions with a view to furthering cooperation in the region.

55. **Mr. DIYEZWA** (Observer for Angola) said that his delegation wished to stress the importance of the Industrial Development Fund and other voluntary contributions for the industrial development of Africa, and of the LDCs in particular. The IDF, together with the trust funds, constituted the bulk of the resources available to UNIDO in providing Member States with its principal services. It was therefore necessary that such funds be maintained at a level that would enable the Organization to implement its programmes. Angola welcomed the proposal by the Group of 77 and China to include the question of financing the integrated technical cooperation programmes in developing countries on the agenda for the current session, so as to permit creative deliberation on new methods of financing such programmes. In that context, it supported the establishment of an ad hoc informal working group to study the related issues. That was necessary in view of the declining trend in both voluntary contributions and regular budget funds for technical cooperation. If the necessary resources were not forthcoming, the Secretariat's work would merely be an academic exercise. He expressed his appreciation to the Governments that had already made voluntary contributions to finance the integrated programmes and hoped that other countries would follow that example.

56. UNIDO's presence in the field was an important factor in supporting its policy of promoting industrialization. His delegation therefore deplored the cessation of UNDP support for UNIDO's field representation programme, the constant reduction in regular budget funds and also the decline in voluntary contributions. Since the Organization needed adequate financial resources to meet the needs of the developing countries, Angola, despite its own difficulties, would continue to make efforts to honour its financial obligations, thereby expressing its confidence in and political support for the Organization. The principal objective of field representation was a qualitative and quantitative improvement in the delivery of field projects, for which it was crucial to have personnel of high calibre. His delegation hoped that there would be more flexibility in the financing of expenses generated by UNIDO's permanent field presence in the case of the LDCs, since any measure serving to marginalize those countries would not be in keeping with the Organization's mandate.

57. **Mr. POOLOKASINGHAM** (Observer for Sri Lanka) said that he wished to express his Government's appreciation to the Director-General for the rapid and high-quality response to his country's request for industrial development assistance. His Government had already given its approval regarding the proposed programme and was organizing a donors' conference on 16 July 1999, to be attended by four key ministers.

58. Sri Lanka looked forward to continued assistance in the mobilization of funds through the regular budget and through donor agencies and donor countries, and to further fruitful cooperation with UNIDO.

59. **Mr. ZAFERA** (Madagascar) said that the Director-General was to be commended for his energetic efforts in bringing about UNIDO's transformation, both administratively and in regard to its programmes; those efforts had enabled UNIDO to escape from its earlier precarious situation. His delegation reiterated its full support for the Director-General in the implementation of the Business Plan in the context of the reform process.

60. His Government had noted with interest the activities undertaken by UNIDO in 1988 and particularly welcomed the new integrated approach and the new service modules. The action taken in the areas of inter-agency cooperation, strengthening of the field representation programme and funds mobilization by means of innovative methods should be supported by Member States.

61. Madagascar's economy, like that of most countries of sub-Saharan Africa, was dominated by agriculture, while its industrial sector represented only approximately 12 per cent of the gross domestic product (GDP) and its annual rate of growth had remained at around 1 per cent over the past 10 years. Major efforts were necessary to promote and support the development of his country's industrial sector. The Government was accordingly preparing a programme of short-, medium- and long-term action, in connection with which it hoped to receive technical assistance from UNIDO, and an official request for a programming mission to his country had been submitted. It was a source of great satisfaction that Madagascar was among the countries that would receive formulation missions, which were indispensable for working out integrated programmes.

62. Greater resources would be needed to ensure that UNIDO's integrated programmes for the LDCs and other developing regions had sufficient impact. However, support for the LDCs had fallen considerably in 1998, compared to 1997. The measures taken by Director-General to delay the effects of that reduction were appreciated. His delegation appealed to the donor community to increase voluntary contributions for technical cooperation programmes for the benefit of Africa and the LDCs. It was gratified that an agenda item on financing those programmes had been included, thus enabling the Board to discuss that important question and to adopt appropriate measures, and welcomed the organization in Dakar of the Conference on Industrial Partnerships and Investment in Africa, in October 1999.

63. With regard to field representation, his delegation supported the Director-General's efforts aimed at enabling UNIDO Representatives to play a greater role and giving them greater resources, as stated in document IDB.21/19. It was grateful for UNIDO's action to reactivate its office in Madagascar and was convinced of the resultant favourable effect on his country's cooperation with UNIDO.

64. His delegation fully supported the Director-General's proposals concerning the programme and budgets for the biennium 2000-2001, which, in view of the constraints faced by the Organization, constituted an absolute minimum. In his delegation's view, it would not be possible to make further cuts without jeopardizing the Organization's credibility and future. His delegation regretted that those proposals could not be adopted and that the Director-General had been compelled to make some changes. A consensus appeared to be emerging, which his delegation was prepared to join.

65. His delegation also supported the recommendations of the Programme and Budget Committee contained in document IDB.21/14 on arrears of contributions, the Working Capital Fund, the Industrial Development Fund and other voluntary contributions.

66. Finally, it saw no objection to the adoption of the proposals contained in document IDB.21/29 concerning the implications of the euro for UNIDO and was convinced that the Board would take appropriate measures on the subject.

67. **Ms. WOHLES DE MEIE** (Observer for Guatemala) said that several countries in her region had emerged from a profound and long crisis, which, in the case of Guatemala, had lasted for more than 36 years. The country had entered on the path of peace, democracy and economic recovery, but that effort had been brutally interrupted with the arrival of hurricane Mitch. The hurricane had not only caused a human tragedy but also threatened the political, economic and social stability of the region. Its effects were still being felt.

68. UNIDO was one of the few multilateral agencies that had taken significant action in support of small economies wishing to adapt to the new globalized economic order. An integrated programme had been designed to support Guatemala's industrial sector. The public and private sectors, civil society and NGOs had participated, together with UNIDO, in the design of that programme, whose implementation was of great importance for the country's social, political and economic stability, sustainable industrial development being a key factor in creating a more prosperous and equitable society. The programme would help to create employment, improve income and strengthen SMEs.

69. Guatemala was in favour of a budget that would enable such programmes to be carried out also for the benefit of other countries in similar circumstances. At a meeting of donor countries in Stockholm on 24 May 1999, her country's Vice-President had emphasized the importance of UNIDO's support in the design and execution of specific development programmes. Her delegation appealed to the international community to help realize that aim.

70. **Mr. SANTER** (Luxembourg) said that his delegation wished to express its appreciation of the excellent work done by the Secretariat and the Director-General and, in particular, of the steps to transform UNIDO into an organization capable of responding directly and efficiently to the individual needs of developing countries. The integrated programme approach was the correct one. As an expression of his Government's support for UNIDO, it had decided to make for the first

time a voluntary contribution of 3 million Luxembourg francs, not tied to any particular purpose.

71. **Mr. BONEV** (United Nations Development Programme) said that, at its annual session in June 1998, the Executive Board of UNDP, seriously concerned at the decline in its resources, had set a target of $1.1 billion for its annual core resources and had decided to introduce multi-year pledging in order to provide a more stable and predictable resource basis. Unfortunately, total core resources pledged in the first year of the scheme totalled only around $740 million, more than 30 per cent below target.

72. The past decade had witnessed unprecedented structural, political and economic changes. Globalization had become a condition for survival. Donor perceptions had changed, as had the forms of technical cooperation. Like all organizations in the United Nations system, UNDP and UNIDO had undergone impressive reforms, which were still continuing. UNIDO's approach, involving integrated technical cooperation programmes and coordination with all actors at the country level, was commendable and should be developed further.

73. It was in such a spirit of innovation that the Director-General of the United Nations Educational, Scientific and Cultural Organization, at the March 1998 session of the Administrative Committee on Coordination (ACC), had presented a proposal concerning a new partnership between UNDP and the specialized agencies. UNDP had followed up that proposal with several informal consultations with major specialized agencies and it had been agreed to implement the new partnerships initiative initially in four or five pilot countries. UNIDO had been an active partner in all those proceedings.

74. The initiative had emerged as a response to changes in the international framework of development cooperation and the Secretary-General's proposals for reform in the United Nations system. It reflected a new way of collaboration between UNDP and the specialized agencies. The traditional roles of UNDP as a central provider of funds and the specialized agencies as providers of know-how and programme design were giving way to a paradigm where each partner contributed both ideas and funding for joint programmes. It was expected that, with each partner focusing its efforts where it had maximum comparative advantage, the new initiative would be a way of achieving programme coherence and mobilizing greater financial resources. The main objectives of the initiative were to strengthen mutual confidence and understanding between UNDP and the specialized agencies through annual consultations and improved information exchange; to work together more effectively in support of national development priorities and Member States' goals through joint strategies, research and resource mobilization; to improve management and achieve economies of scale through pooling of networks and human resources; and to review existing tools.

75. One of the most important newly developed mechanisms for bringing operational entities and agencies together at the country level was the United Nations Development Assistance Framework (UNDAF) process. The UNDAF pilot phase had now been completed and assessed, and corrective measures were being introduced. UNDP was highly appreciative of UNIDO's active participation in the pilot exercise and its renewed commitment to the process. The common country assessment, an integral component of UNDAF, relied on the close collaboration of all United Nations development partners. UNDP counted on UNIDO's full participation. Their joint and complementary efforts were essential in the implementation of the action plans adopted at recent international summits and conferences.

76. A high priority for UNDP was eradication of poverty through sustainable human development. UNIDO, as the leading agency in promoting sustainable industrial development, would continue to be a major partner of UNDP in that difficult task.

FIELD REPRESENTATION (IDB.21/19)

77. **Mr. ALPMAN** (Turkey) said that an agreement had been signed between Turkey and the Organization regarding the conversion of the UNIDO Office in Ankara to a centre for regional cooperation. With UNIDO's support, Turkey would thus assist countries in the region in implementing technical cooperation projects. Positive responses had already been received from a number of potential partner countries contacted. Existing UNIDO projects in those countries would be outside the scope of the scheme, which would apply only to UNIDO projects supported financially or otherwise by Turkey. Projects would be implemented under the supervision of Headquarters, in coordination with the authorities in the countries concerned. That procedure would prevent duplication and would make for synergies with UNIDO's integrated programmes for the region.

78. **Mr. IKEDA** (Japan) said that his delegation appreciated the analysis and recommendations contained in document IDB.21/17 on the financing of the integrated technical cooperation programmes in developing countries. Japan shared the view that it was important for UNIDO to seek to increase Member States' voluntary contributions, particularly for the integrated programmes, and it supported the Director-General's proposal that recipient countries be urged to contribute to project funding as an indication of their ownership in the jointly pursued activities. Such contributions should be based on the recipient country's level of development and be subject to a minimum of 10 per cent of programme costs. His Government also supported the Director-General's

proposals concerning the enhancement of South-South cooperation and stronger substantive dialogue with Member States in regard to project formulation. Major donor countries, particularly those which had not made substantial contributions in recent years, should support UNIDO's activities by endeavouring to increase their contributions as much as possible. In his delegation's view, the proposed target of $70 million for future voluntary contributions could be reduced through more effective project implementation.

79. On the issue of field representation, the Japanese delegation believed that, in order for UNIDO to operate more efficiently, further responsibilities should be progressively delegated to the field offices. Financial support from host countries for field representation was necessary. In particular, in the case of countries that had not made voluntary contributions, there was a need for the structure of the field offices to be reviewed.

PERFORMANCE INDICATORS AND EVALUATION (IDB.21/24)

80. **The PRESIDENT** said that there were no speakers on the agenda item.

ADMINISTRATIVE MATTERS (IDB.21/16; IDB.21/CRP.2)

81. **Mr. ORTIZ** (Spain) said that the important issue of women's representation in the Secretariat should not pass without comment. According to document IDB.21/16, there had been a serious depletion of the pool of women available for selection to more senior managerial posts. It was regrettable that there was such a lack of female candidates.

82. **Mr. MAGARIÑOS** (Director-General) said that, since the preparation of that document, 12 advertised posts had attracted some 3,500 applications, many of them from women. That would result in an expansion of the pool of available women candidates.

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.21/25, IDB.21/28 and Add.1; IDB.21/L.6 and IDB.21/L.7)

83. **The PRESIDENT** said that the Bureau had reviewed the applications of eight non-governmental organizations for consultative status with UNIDO and one intergovernmental organization wishing to enter into a relationship agreement with UNIDO. The Bureau had agreed that all the applications should be accepted. On behalf of the Bureau, he was therefore submitting the two draft decisions contained in documents IDB.21/L.6 and IDB.21/L.7.

84. *The draft decisions were adopted.*

PREPARATIONS FOR THE EIGHTH SESSION OF THE GENERAL CONFERENCE (IDB.21/22)

85. **Mr. LAZYKIN** (Russian Federation) suggested that item 17 of the provisional agenda, "The regional dimension", should also include a sub-item on Europe and the Commonwealth of Independent States.

86. He would also like to receive more information from the Secretariat on item 9 concerning the forum on industrial development.

87. **Mr. MAGARIÑOS** (Director-General) said that the forum would be similar to the one held in May 1998, at which it had been possible to discuss problems relating to industrial development and engage in dialogue with academics, private-sector representatives and economists. That event had been considered a success. The discussions during the forum to be held at the next General Conference session would be confined to topics covered by the service modules. Further details, an agenda and a list of specific subjects would be distributed shortly to Member States for examination.

88. **Mr. BENMOUSSA** (Morocco) said that he wished to propose that, during the General Conference session, a special informal meeting be held at which the Secretariat could make Member States aware of the problems caused by arrears, which now totalled over $128 million, and explain the recommendations put forward by the open-ended discussion group on timely payment of assessed contributions. It was a matter of concern that 67 countries, over a third of UNIDO's membership, many of them in Africa, were deprived of their voting rights. Their non-payment was not due solely to bureaucratic factors or to a lack of good will, but was a reflection of the critical economic situation or vulnerability of those countries. There was a growing view that technical cooperation for countries in arrears should be reduced. The problem needed to be tackled firmly by Member States and the Secretariat. Member States should be made to understand what they could gain by paying on time and lose by not doing so.

The meeting rose at 6.20 p.m.